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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 07/07/09

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, July 6

NIKKEI (Page 2) (Full)

July 7, 2009

09:41 Kantei cabinet meeting, followed by IT Strategy Headquarters meeting

10:35 Met with Deputy Foreign Minister Sasae, European Affairs Bureau Director General Tanizaki, and International Legal Affairs Bureau Director General Tsuruoka. Sasae remained.

11:24 Met with Sasae, Deputy Foreign Minister Otabe, METI Vice Minister for International Affairs Ishige, and MAFF Vice Minister for International Affairs Murakami, attended by Deputy Chief Cabinet Secretary Matsumoto and Assistance Deputy Chief Cabinet Secretary Hayashi. Met later with Parliamentary Secretary Minorikawa.

13:33 Met with Cabinet Intelligence Director Mitani, the Defense Ministry's Defense Policy Bureau Director General Takamizawa, and Defense Intelligence Headquarters Chief Shimohira. Mitani remained.

14:31 Met with Chief Cabinet Secretary Kawamura.

15:01 Met at LDP headquarters with Secretary General Hosoda and

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Election Strategy Council Deputy Chairman Suga.

15:50 Handled paperwork at his private office in Nagatacho.

17:05 LDP executive meeting in the Diet building

17:43 Met at Kantei with Matsumoto.

18:03 Returned to his official residential quarters.

19:17 Left for L'Aquila to attend G-8 summit along with his wife, Chikako, from Haneda Airport.

4) Cargo inspection bill to be submitted to Diet today

YOMIURI (Page 4) (Full)

July 7, 2009

The ruling coalition of the Liberal Democratic Party and the New Komeito held a meeting of their project team yesterday on North Korean cargo inspections and approved a government-drafted special legislative measure for cargo inspections. The government will make a cabinet decision today to adopt the bill and will present it to the Diet.

The bill stipulates that the Japan Coast Guard and customs will carry out cargo inspections. The Self-Defense Forces will be involved within the limits of the current law. The government had initially intended to specify the SDF's involvement for such specific activities as gathering intelligence. However, the government and the ruling parties agreed in their final coordination to forgo the idea of specifying the SDF's role, saying there is no need to specify in the bill what can be done under the current law. LDP Security Research Commission Chairman Gen Nakatani, who co-chaired the project team, explained to reporters after the meeting: "The SDF will gather intelligence and will also carry out warning and surveillance activities. The government will invoke maritime security operations (under the Self-Defense Forces Law) when the JCG cannot." The government is expected to invoke maritime security operations when, for instance, the JCG needs to inspect heavily armed ships.

5) MSDF barred from cargo inspections

SANKEI (Page 5) (Full)

July 7, 2009

The government yesterday presented a draft of a special legislative measure (cargo inspection bill) to a project team of the ruling parties. The legislation allows Japan to inspect the cargo of North Korean and other foreign ships. The draft bill was approved. The bill assigns cargo inspection authority to the Japan Coast Guard commandant and customs superintendent. The Maritime Self-Defense Force's role is limited to such activities as guarding JCG patrol ships in its maritime security operations under the Self-Defense Forces law. The MSDF is not authorized to conduct cargo inspections. This is aimed at obtaining understanding from the leading opposition Democratic Party of Japan (Minshuto), which is cautious about using the SDF, for its early passage through the Diet. The government will make a cabinet decision this evening to adopt the bill and will present it to the Diet.

The bill describes how to handle contraband seized in cargo inspections. In concrete terms, the bill incorporates provisions allowing Japan to scrap biochemical weaponry. In addition, the bill also says items that cannot be stored will be sold, and the money will be returned.

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The legislation purports to remove the "threat" in the international community, including Japan, from North Korea's nuclear test and other factors. If a Japanese ship is suspected of carrying North Korean contraband and is asked by a foreign country to stop for cargo inspections in international waters, the legislation authorizes the government to issue orders to have the ship inspected.

6) Japan to urge UNSC to condemn N. Korea

SANKEI (Page 5) (Full)
July 7, 2009

In the wake of North Korea's recent launch of seven ballistic missiles, the Japanese government has decided to urge the United Nations Security Council to release a press statement condemning North Korea, a government source revealed yesterday. In addition, the government, in yesterday's cabinet meeting, approved measures suspending the transfer of assets to business firms related to North Korea's weapons of mass destruction as requested in UNSC Resolution 1874. The government will restrict business transactions that are suspected of being WMD-related transactions. The government will also ask research institutions in Japan not to provide North Korean nationals with nuclear-related education.

7) Cabinet approves additional sanction measures against N. Korea

ASAHI (Page 4) (Full)
July 7, 2009

In the wake of the United Nations Security Council's recent resolution to impose sanctions on North Korea against its nuclear test, the government yesterday made a cabinet decision to take additional measures intended to prevent assets transferral related to North Korea's nuclear development and its weapons of mass destruction (WMD) programs. In response, the Foreign Ministry and other government offices will call on banking institutions to pay particular attention to the transferral of assets relating to North Korea.

As a specific measure, the government will regulate transactions that could lead to North Korea's WMD programs. In addition, the government will also restrict anything like making payments and receiving payments for designing and manufacturing. So far, the government has only restricted transactions with those designated in North Korea. In addition, the UNSC resolution seeks to make sure that North Korean nationals do not receive nuclear-related special education or training, so the government alerted universities and research institutions.

8) PAC-3 may be deployed if N. Korea shows signs of launching long-range missile

ASAHI (Page 4) (Full)
July 7, 2009

North Korea launched a total of seven missiles on July 4, and all those seven missiles landed in waters previously announced by North Korea. The Defense Ministry does not think such missiles would have a direct influence on Japan's national security. However, if North Korea shows signs of launching a long-range ballistic missile like

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the Taepodong 2, the Defense Ministry will issue orders to destroy ballistic missiles. The ministry is also considering redeploying the

Patriot Advanced Capability 3 (PAC-3), a ground-to-air guided missile system.

Defense Minister Hamada, meeting the press yesterday, indicated that he would not deploy the Self-Defense Forces for the time being and would gather intelligence instead.

The Defense Ministry presumes that there will be physical signs, such as setting up a missile at a missile site and injecting fuel, before launching a long-range ballistic missile, according to a senior official of the ministry.

However, North Korea, before its missile launch in April, had designated a danger zone in the Sea of Japan off Akita Prefecture and in the Pacific Ocean. The Defense Ministry therefore deployed PAC-3 batteries in the metropolitan area and also in the northeastern prefectures of Akita and Iwate. If North Korea prepares to launch a long-range missile without designating a danger zone, the government will likely be urged to make a difficult decision as to whether or not to deploy the PAC-3.

9) Prime minister goes to G-8 Summit in Italy amid anxiety, hoping to recover lost ground with "diplomatic achievements"

NIKKEI (Page 2) (Full)
July 7, 2009

Prime Minister Taro Aso took off on a special plane from Haneda Airport on the evening of July 6 to attend the G-8 Summit in central Italy. With his back against the wall after the candidate supported by the ruling parties lost the Shizuoka gubernatorial election, he most probably would like to display some achievements in diplomacy, which is regarded as his forte. With the Tokyo Metropolitan Assembly election, which will decide the fate of his administration, taking place on the day after he returns from Italy, he embarked on his journey leaving behind serious concerns at home.

Before he left on July 6, Aso told reporters earnestly at the Prime Minister's Official Residence: "Japan is the one that first came up with a clear direction both on the financial crisis and global warming. This will be an opportunity to set the course for these issues." He emphasized that he would also like to actively discuss the North Korea issue.

Aso has made 13 overseas trips in the nine months since he became prime minister, engaging in his style of "quantitative diplomacy." He wants to make this G-8 Summit the culmination of his diplomatic work and ride on this momentum as he dissolves the Diet.

In September 2002, then Prime Minister Junichiro Koizumi made a surprise visit to North Korea, resulting in a sharp reversal of his support rates, which had dropped after the replacement of Foreign Minister Makiko Tanaka. If Aso makes progress in the Northern Territories issue at the Japan-Russia summit meeting (being held on the sidelines of the G-8 Summit), this may serve to boost his administration. However, merely participating in the G-8 will probably have no effect on his support rates.

10) "Shizuoka shock" spreading in ruling bloc, cabinet

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TOKYO SHIMBUN (Page 2) (Abridged slightly)
July 7, 2009

On July 6, the day after the ruling bloc suffered a defeat in the Shizuoka gubernatorial election, concerns gripped the government and the ruling coalition about the upcoming Tokyo Metropolitan Assembly election and the House of Representatives election.

At a press conference yesterday, Liberal Democratic Party (LDP) Secretary General Hiroyuki Hosoda emphatically said about the party's defeat in the gubernatorial race: "We don't regard it as a prelude (to the next Lower House election). I don't think debates in Nagatacho negatively affected it." Hosoda desperately tried to deny the view in the LDP that confusion over the abortive plan to

reshuffle the party executive lineup adversely affected the Shizuoka race and to draw a clear line between a local election and state affairs.

In reaction to the LDP leadership, which denied any ill effects on the Shizuoka poll while defining it as a national-level election, junior LDP lawmakers who distance themselves from the Prime Minister raised objections, saying, "Such a stance will draw public protests. We should take the result humbly." Some cabinet ministers also expressed uneasiness as if to point to political changes after the Tokyo election, with Health, Labor and Welfare Minister Yoichi Masuzoe saying, "Depending on how the Tokyo poll turns out, all sorts of things could happen," and Finance Minister Kaoru Yosano commenting, "Once the Tokyo election is over, I would like to think carefully about what the LDP and the Aso cabinet, including myself, should do."

An LDP member who served previously as one of the three top executives predicted that the move to unseat Aso will intensify: "If the (the ruling bloc) fails to secure a majority in the Tokyo poll and if the Prime Minister still tries to dissolve the Lower House, physical resistance will emerge in the party." An LDP executive also expressed strong opposition to the Prime Minister's plan to dissolve the Lower House immediately after the Tokyo election in which the party could suffer a defeat.

11) Prime minister says ruling party candidate's defeat in Shizuoka election "has no effect on national politics"; LDP worried about Tokyo assembly election

NIKKEI (Page 2) (Full)
July 7, 2009

Prime Minister Taro Aso commented on the defeat of the ruling parties' candidate in the Shizuoka gubernatorial election to reporters at the Prime Minister's Official Residence in the late afternoon of July 6. He stressed that: "I think people who were involved in the election campaign actually felt that (the candidate) did a good job closing the gap (on the rival candidate). Local elections do not affect national politics directly." Election Strategy Council Vice Chairman Yoshihide Suga also told reporters: "This is not a vote of confidence on the administration but a gubernatorial election in one prefecture."

However, there are growing concerns in the Liberal Democratic Party (LDP) about the Tokyo Metropolitan Assembly election on July 12. Deputy Secretary General Nobuteru Ishihara said at a meeting between the government and the LDP on July 6: "Many candidates in the Tokyo

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election are disheartened. Please cheer them up." Meanwhile, Democratic Party of Japan Secretary General Katsuya looked back on the Shizuoka election at a meeting with the secretaries general of the Social Democratic Party and the People's New Party on the same day. He said: "It was an election where our camp was said to be divided. It is a miracle that we were able to do so well."

12) Prime Minister Aso making last-ditch effort for Tokyo assembly election, aiming to keep right of dissolution

YOMIURI (Page 4) (Excerpts)
July 7, 2009

Prime Minister Taro Aso has his back against the wall as a result of a candidate backed by the ruling parties losing in the Shizuoka gubernatorial election on Sunday. Although Aso told the press corps yesterday: "A local election does not have a direct impact on a national election," stressing that the gubernatorial race loss has no connection with his strategy of dissolving the House of Representatives. However, there are strong calls from members of the ruling coalition for pursuing Aso's responsibility for the loss. Depending on the result of the July 12 Tokyo Metropolitan Assembly election, Aso may not be able to dissolve the Lower House on his own accord.

"I will take charge of the office during your absence. Please go to

Italy with confidence," Chief cabinet Secretary Takeo Kawamura said yesterday to Aso, who was leaving for the Group of Eight (G-8) summit. Aso told Kawamura: "I want you to include a report adopted by the council to realize a secure society in a manifesto (campaign pledges)."

"In an attempt to dissolve the Lower House soon after the Tokyo assembly election, the Prime Minister wants to draft a manifesto by that time," (Aso's aide).

Although Aso, while suffering from low public support ratings, was able to attend the G-8 summit, the Tokyo assembly race is the biggest hurdle for him to overcome. Aso appears to have acknowledged the importance of the Tokyo election. He made an unusual request to his cabinet members at an informal cabinet meeting held yesterday after the regular cabinet meeting. He said: "I would like you to stump (for candidates running for the Tokyo race) in cooperation with (the Liberal Democratic Party Tokyo chapter) as long as you are allowed to do so."

Aso believes that if the LDP-New Komeito coalition wins a majority (more than 64 seats), the victory-or-defeat line, he will be able to get the "seal of approval" for dissolving the Lower House on his own. However, if the ruling camp loses the Tokyo election following the Shizuoka race, there will be a possibility that not only Aso's dissolution strategy will go wrong but also Aso will be unable to resist the ruling parties' drive to remove him from office.

Sense of alarm rising in ruling parties

The ruling LDP and New Komeito have become increasingly alarmed since a candidate they backed lost the Shizuoka gubernatorial election. Since the results of the Tokyo assembly election will have a serious impact on the next general election, the ruling parties intend to reconsider their campaign strategy for the Tokyo race.

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Prime Minister Aso (LDP president) stressed in an LDP executive meeting last evening: "We aim to win the Tokyo assembly election." At the same time, referring to the illegal donation scandal involving Democratic Party of Japan (DPJ) President Yukio Hatoyama's political fund management organization, he said: "The DPJ, which is faced with such a problem, does not have the capability to assume the political reins." He indicated in his remark that the LDP would strengthen its stance of pursuing Hatoyama.

Chief Cabinet Secretary Kawamura, LDP Secretary General Hiroyuki Hosoda and other ruling camp leaders held a meeting at noon yesterday in the Diet building. In the session, most participants said: "Let's do our best in the Tokyo election." The participants agreed to increase the level of campaign support by party leaders.

13) LDP's defeat in Shizuoka gubernatorial election foils Aso's plan to carry out general election in early August

SANKEI (Page 2) (Excerpts)
July 7, 2009

Fumito Ishibashi

The candidate backed by the Liberal Democratic Party (LDP) and the New Komeito party was defeated in the July 5 Shizuoka gubernatorial election. This has hugely upset Prime Minister Taro Aso's plan to dissolve the House of Representatives in late July for a snap general election in early August. Anti-Aso forces are set to unseat the Prime Minister immediately after the July 12 Tokyo Metropolitan Assembly election. Meanwhile, the Prime Minister, who was not able to shuffle his cabinet or the LDP executive lineup, seems to have no effective means to stop them. Amid this gloomy atmosphere, the Prime Minister departed last night from Haneda Airport for Italy to attend this year's L'Aquila G-8 summit.

Yesterday morning, Prime Minister Aso entered the cabinet ministers' reception room on the fourth floor of the Prime Minister's Official Residence (Kantei) ahead of a cabinet meeting, with a grim

expression. In the room, the Prime Minister nodded silently as Education, Culture, Sports and Science and Technology Minister Ryu Shionoya representing the Shizuoka 8th constituency rose to his feet and bowed, looking pensive.

After the cabinet meeting, the Prime Minister said to the cabinet ministers: "Shizuoka is Shizuoka, and the Tokyo election is the Tokyo election. The Tokyo poll is up next. I want you to cooperate with the Tokyo assembly to an extent that does not harm your official duties. Let's do our best each time." The Prime Minister also told the press corps that a local election would not affect the national political scene. If (the ruling bloc) suffers a defeat despite the mobilization of all cabinet ministers, calls to hold Aso responsible are certain to emerge.

The Prime Minister initially planned to achieve victory in the Shizuoka race after shuffling the cabinet and the LDP executive lineup on July 2, and to announce Lower House dissolution during his foreign trip.

This plan has completely fallen through. If he sends out a message during his foreign trip, that might fuel the moves to unseat Aso.

The Prime Minister has even called off the usual practice of holding
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an informal discussion on domestic political affairs with the traveling press corps during the summit.

The aborted plan of revamping the LDP executive lineup has ended up weakening the power base of the party leadership. In a government and LDP consultative meeting, held in the Diet building around noon yesterday, Secretary General Hiroyuki Hosoda urged the members present to remain alert so that no one would call for an early LDP presidential election while the Prime Minister is on a foreign trip. But the meeting was void of energy.

In compliance with calls from some former secretaries general, Hosoda had planned on July 3 a meeting with former secretaries general for July 8, but he has been forced to call it off.

Through this meeting, Hosoda apparently intended to contain the early LDP presidential election argument. But such former secretaries general as Hidenao Nakagawa, Tsutomu Takebe, Koichi Kato, and Taku Yamasaki are clearly anti-Aso. Former Prime Ministers Yoshiro Mori and Shinzo Abe expressed concern that the event might end up causing an explosion rather than releasing some steam. Prime Minister Aso, too, expressed his displeasure, and the meeting was abruptly cancelled. This has exposed Hosoda's lack of competence.

14) Opposition parties differ on vote of no confidence on cabinet; SDP, PNP want to shake up ruling coalition; DPJ does not want to see Aso step down

YOMIURI (Page 4) (Full)
July 7, 2009

The secretaries general of the Democratic Party of Japan (DPJ), the Social Democratic Party (SDP), and the People's New Party (PNP) met at the Diet on July 6 to discuss the submission of a motion of no confidence against the Aso cabinet. While the SDP and the PNP favored doing so at an early date, DPJ Secretary General Katsuya Okada maintained a cautious stance. They agreed to watch the moves to "oust Aso" in the Liberal Democratic Party (LDP) and meet again on or after July 13, after the outcome of the Tokyo Metropolitan Assembly election on July 12.

The SDP and the PNP are keen on submitting a motion of no confidence because they believe that Prime Minister Taro Aso's leadership has weakened rapidly with the decline in cabinet support rates and the LDP's defeat in the Shizuoka gubernatorial race, and this is a good opportunity to shake up the ruling coalition. They also predict that: "If the motion of no confidence is rejected, this will mean a vote of confidence on the prime minister by the ruling parties, so they will have to go into the House of Representatives election under him. In case there are a large number of rebel votes, the

prime minister will probably dissolve the Diet." (senior PNP official)

There were supportive views in the DPJ: "The prime minister is probably unable to decide on dissolving the Diet on his own. We should make a move at this time to create the opportunity." (senior DPJ official)

However, President Yukio Hatoyama told reporters in Tokyo on July 6, "I am not necessarily thinking of rushing the submission of a motion of no confidence," taking a cautious stance. Okada also said at the meeting of opposition party secretaries general that, "We will

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consult you when the time comes for a political decision."

The DPJ leadership is cautious about submitting a motion of no confidence at an early date for the following reasons: (1) the amendment to the organ transplant law is being deliberated in the House of Councillors and (2) it is diplomatically undesirable to make the prime minister face a vote of no confidence while he is at the G-8 Summit. However, it also appears that the party takes the position that "if the vote of no confidence results in the acceleration of the moves to oust Aso in the LDP, the unpopular prime minister's resignation will not be good for us." (senior DPJ official) Furthermore, if the motion is rejected, this will result in the boycott of proceedings in both houses of the Diet. It is reckoned that, "There is no need for us to take on the risk of being criticized for boycotting the Diet."

15) LDP drafts manifesto: Consumption tax hike to be considered once economy turns around

NIKKEI (Page 2) (Full)
July 7, 2009

The Liberal Democratic Party (LDP) on July 6 firmed up a draft manifesto for the next Lower House election. Concerning a future hike in the consumption tax, a focus of policy attention, the draft does not specify a new rate or a timetable. It just mentions that the government will consider the issue once the economy turns around. It also notes reform of decentralization, including the scrapping of the current system of local governments shouldering part of the costs of projects carried out by the central government, and a restriction to the number of hereditary lawmakers. The party will compile specifics before the end of this week. It, however, said that it would not release the details until the Lower House is dissolved.

"Substantially mention the efficacy of stimulus measures." So saying, Prime Minister Taro Aso on the 6th at the LDP headquarters ordered Secretary General Hiroyuki Hosoda and other party executives to demonstrate the administration's capability to run the government. He also said, "I want you to include policy measures targeting young people." The party has decided to incorporate into the manifesto a grant system to enable anybody to go to a university, if they wish, and free child education.

Regarding reform of decentralization, which the Association of Prefectural Governors has requested, the wording stating that the request will be complied with as much as possible will be included. The scrapping of the share of local governments in the costs of projects carried out by the central government and a study on the introduction of a doshu or regional bloc system will also be incorporated. The proposals give consideration to influential chiefs of local governments, indicating the LDP's desire to seek help from them in campaigns for the upcoming general election.

Main items for consideration in LDP manifesto

- Q Expand the grant system for those who enter college
- Q Free child education
- Q Abolish the share of local governments in the costs of projects carried out by the central government
- Q Look into the introduction of a doshu or regional bloc system
- Q Introduce a restriction to the number of hereditary lawmakers,

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starting in the election after next

Q Consider reviewing the constitutional interpretation concerning the right to collective self-defense.

Q Raise the consumption tax once the economy turns around.

ZUMWALT